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SUBJECT: TURKMENISTAN: IMMENSE VOLUMES OF NATURAL GAS ARE CONFIRMED  
IN EASTERN TURKMENISTAN

REF: ASHGABAT 1324

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: The general manager of the British firm Gaffney, Kline & Associates, which just completed an independent audit of the natural gas fields in South Yoloten-Osman and Yashlar, presented the results of their study to a special session of the Cabinet of Ministers on October 13th. The audit verifies that the volume of gas in the South Yoloten-Osman field ranges from four trillion to fourteen trillion cubic meters of natural gas, making it the fourth or fifth largest field in the world. The government of Turkmenistan had gone to great lengths to ensure the independence of the audit in order to reassure foreign investors regarding several large-scale gas pipeline construction projects. Deputy Chairman Tagiyev had told Western visitors that the audit would show an even higher volume. Since two of the individuals present in that meeting confirmed this to us, we wonder if Tagiyev was trying to impress his foreign visitors. At least one observer believes the Gaffney, Kline audit is a "conservative" estimate of Turkmenistan's gas reserves, because there are still 27 other fields onshore to evaluate. END SUMMARY.

#### EVALUATION OF EASTERN TURKMENISTAN GAS RESERVES REVEALED

13. (SBU) On October 13, President Berdimuhamedov held an expanded session of the Cabinet of Ministers in which Jim Gillett, Manager of the British firm Gaffney, Kline & Associates (GKA) presented the results of its audit of gas reserves in the South Yoloten-Osman and Yashlar fields in eastern Turkmenistan. The audit had been conducted in accordance with international standards for the evaluation and classification of natural gas reserves, and confirms that volume of deposits in South Yoloten-Osman field ranges between 4 trillion cubic meters to 14 trillion cubic meters of natural gas. This makes it the fourth or fifth largest natural gas field in the world.

#### AUDITING TO REASSURE FOREIGN INVESTORS

14. (SBU) Following Mr. Gillett's presentation, President Berdimuhamedov underscored Turkmenistan's absolute confidence in the abundance of its hydrocarbon reserves. He said that the fact that

international companies were closely involved in the audit of oil and gas fields was essential in order to reassure large-scale foreign investors in the development of gas fields and construction of pipelines. He said that the audit proves that Turkmenistan may now move ahead with all plans in the sphere of fuel energy expansion and development. He went on to praise the work of the Turkmen specialists that was confirmed by the audit.

#### JOINT EFFORTS AND MECHANISM OF EVALUATION

15. (SBU) Later, in an interview with Turkmen Dowlet Khabarlary (Turkmen State Information Agency), Gillett said that the GKA's audit, conducted in accordance with international standards, was able to confirm the "excellent work" carried out and the results obtained by the state corporation "Turkmengeologiya" (TurkmenGeology) after the discovery of a vast natural gas field. Turkmen geologists then spent a month at GKA's UK offices presenting the results of their data as the audit was prepared.

#### VAST GAS RESERVES CONFIRMED

16. (SBU) According to Gillett, GKA's evaluations are routinely presented at three levels: "low, optimal and high." On South Yoloten-Osman field, the low estimate was calculated at 4 trillion cubic meters, optimal at 6 trillion cubic meters, and the high at 14 trillion cubic meters of natural gas. He said that South Yoloten-Osman's optimal estimate is five times larger than the largest existing gas field at Dowletabad, making South Yoloten-Osman the fourth or fifth largest gas field in the world.

#### DEVELOPMENT OF THE FIELD

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17. (SBU) Gillett went on to say that that it is generally preferable to develop such enormous fields in stages, at the rate of 10 billion cubic meters of gas per year. He recommended that development of the South Yoloten-Osman be increased gradually, up to a maximum of 70 billion cubic meters per year.

#### EVALUATION OF ANOTHER FIELD

18. (SBU) In addition to the South Yoloten-Osman field, GKA conducted an audit of the Yashlar field and estimates reserves there of between .25 trillion 1.5 trillion cubic meters of natural gas. He concluded by emphasizing that GKA looks forward to offering its services to Turkmenistan in the future.

#### "CONSERVATIVE" ESTIMATE

19. (SBU) One longtime Western observer told us that he believes that the Gaffney-Kline audit was a "conservative" estimate of the country's gas reserves, because there are another 27 fields onshore to evaluate. He also offered that depending on extraction rates, the South Yoloten-Osman reserves could last 40-70 years (possibly more), but are very high in sulfur. Given the technological challenges of extracting the sour gas, it will take an initial investment of at least \$4 - 5 billion to start. In addition, they will need 4,000 - 5,000 workers. Recognizing that they do not have either the sufficient technological expertise or level of qualified workers, it will take outside assistance. And given the technology necessary, it would rule out cooperation with Russian or Chinese firms. Only Western firms have the expertise. Our contact pointed out that the Chinese had tried to drill subsalt and the result was an accident where 44 workers were killed.

110. (SBU) COMMENT: Turkmenistan wisely engaged an internationally recognized firm to conduct that audit of the reserves of its eastern gas fields. This was absolutely essential to attracting large-scale foreign investors for both the development of the fields and a number of significant gas pipeline construction projects. It further serves to assure the international community and businesses that Turkmenistan has the volume to meet its natural gas export demands. However, extraction is another issue. Deputy Chairman Tagiyev had told Western visitors that the audit would show an even higher volume (reftel). Since two of the individuals present

confirmed this to us, we are unsure if Tagiyev was being hopeful or just wanted to impress his foreign visitors, knowing that Turkmenistan has even more reserves, in any case. END COMMENT.

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